



Control Number: 41210



Item Number: 5

Public Utility Commission of Texas

Commissioner Memorandum

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TO: Chairman Peter M. Lake
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

FROM: Commissioner Will McAdams *WM*

DATE: July 13, 2022

RE: July 14, 2022 Open Meeting, Agenda Item No. 25
Project No. 41210 – *Information Related to the Southwest Power Pool Regional State Committee*

I wanted to give my fellow Commissioners an update on recent activities in Southwest Power Pool (SPP). I take some solace that our neighboring states and grid operators are facing many of the same challenges that we are in ERCOT.

SPP Staff and stakeholders have concluded that SPP should increase its planning reserve margin to 15%. It is presently set at 12%. SPP measures capacity as that which is needed to maintain reliability at summer peak. This capacity requirement is enforced in summer, where entities must show that they meet load plus the margin, however there is no such requirement in other seasons. This planning reserve margin measure is based on the traditional Loss of Load Expectation (LOLE) of a 1-in-10 standard.¹

Since 2014, 6.8 GW of generation has retired in SPP and has not been replaced in kind. Simultaneously, changing load patterns, operational issues, fuel supply constraints, and volatility are drivers of the increased risk. These risks have led to an increase in calls for conservation and resource advisories in SPP. Much like ERCOT, SPP is also setting peak load records this summer. As a result of these factors, both Staff and stakeholders have advocated for a move to a 15% planning reserve margin.

Some controversy has arisen over the timing of the move. SPP Staff strongly supports moving the reserve margin to 15% starting in summer of 2023. The Supply Adequacy Working Group, a stakeholder working group, and the Market and Operation Policy Committee, which is similar to ERCOT's Technical Advisory Committee, overwhelmingly approved phasing-in the change, with an increase to 13% to 2023, 14% in 2024, and 15% in 2025. A third working group under the Regional State Committee (RSC), the Cost Allocation Working Group, approved an increase to 13% in 2023 and 15% in 2024.

Simultaneously, SPP Staff have realized that the current methodology of accrediting resources is causing overcounts in capacity. Specifically, resources accounting fails to consider historical outages or availability. Much like our own efforts with the CDR and SARA reports here

¹ SPP Staff advocates for moving away from the LOLE standard and to adopt an Expected Unserved Energy metric to determine the amount of generation needed to meet a desired reliability target.

in ERCOT, SPP Staff is proposing to utilize improved Effective Load Carrying Capacity metrics and adjusting historical analyses to better accredit resources in line with actual performance. These proposed changes have not been as controversial as changes to the reserve margin and their full implementation is not slated until 2027, but I am waiting for more analysis and information from Staff as to the extent and effect of the changes.

Both of these items discussed above; *the increase in Planning Reserve Margin and Performance Based Accreditation for the conventional resources* are under full purview of the RSC and will be voted at their next meeting on July 25, 2022.

I look forward to discussing this matter with you at the next open meeting.